

**Testimony from Brian M. Daniels, Executive Director
Governor's FY 2022 Budget (H 6122)
Article 16 – Related to Housing
House Committee on Finance – April 13, 2021**

Thank you, Mr. Chairman and members of the committee, for the opportunity to submit testimony. The League appreciates Governor McKee's commitment to working with cities and towns to support housing construction in Rhode Island. The Executive Office of Commerce consulted with the League and our members when developing Article 16, Section 5, "Housing Incentives for Municipalities," and we believe it would provide needed assistance to communities that want to increase housing production in a sustainable manner.

Numerous local leaders have remarked that the lack of available, affordable homes is limiting job growth and economic development. While zoning and land use should remain a local decision, the state can work with cities and towns to encourage housing construction and rehabilitation.

Article 16, Section 5, of the Governor's FY 2022 budget would create a new incentive program to encourage housing in areas that cities and towns designate as appropriate for development through a "housing incentive" overlay district. Incentive aid may be either technical assistance or school impact offset payments if the municipality can demonstrate that additional housing leads to unfunded education costs. We have heard from numerous communities – particularly those with lower state share ratios of education aid – that new housing can have a net negative impact on local finances should local education costs exceed new property taxes. This incentive proposal to provide cities and towns with technical assistance and education funding is based on a similar successful model in Massachusetts that Rhode Island should emulate.

One concern we have heard from some of our members is that the proposed increase in the real estate conveyance tax (Section 6) would benefit only state programs. Currently, proceeds from the real estate conveyance tax are shared between the state and local governments. The League normally does not take a position on which state revenue sources are most appropriate to fund state programs, but we do recognize the concern from some municipal officials that increasing the transfer tax solely for state benefit disrupts the careful state and local balance for this important revenue source. We ask the committee to take those concerns into account during its deliberations.

We recognize the value of these municipal housing incentives and technical assistance as we collectively work to increase housing availability in Rhode Island. We want to thank the Office of Commerce for their outreach to the League and our members when crafting this proposal, and we urge the committee to support it. Thank you for your consideration of our views.